Q2 & HY 2014 Results

Press release

4 August 2014

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Strong performance in Q2 driven by Mail in the Netherlands

Financial highlights Q2 2014

- Revenue increased by 3% to €1,016 million (Q2 2013: €991 million)
- Underlying operating income increased by 24% to €88 million (Q2 2013: €71 million)
- Underlying cash operating income increased to €60 million (Q2 2013: €23 million)
- Net cash from operating and investing activities of €(5) million (Q2 2013: €(36) million)

Operational highlights Q2 2014

- Smooth execution of restructuring plans resulted in cost savings coming in early
- Overall tight cost control
- Addressed mail volume declined by 11.2%
- Positive impact from incidentals in Mail in the Netherlands
- Parcels volume grew by 8.2%
- Evening delivery Parcels started
- New and balanced CLA PostNL

Outlook 2014 *(excluding UK activities)*

- Full year underlying cash operating income expected of between €260 million and €290 million

Key figures

in € millions	Q2 2014	Q2 2013	% Change	HY 2014	HY 2013	% Change
Revenue	1,016	991	*3%*	2,049	2,027	*1%*
Revenue excluding UK	*827*	*814*	*2%*	*1,681*	*1,675*	*0%*
Operating income	85	35	*137%*	184	108	*70%*
Underlying operating income	88	71	*24%*	191	152	*25%*
Underlying operating income margin	8.7%	7.2%		9.3%	7.5%	
Changes in pension liabilities	(17)	(29)	*39%*	(30)	(61)	*51%*
Changes in provisions	(11)	(19)	*45%*	(24)	(45)	*48%*
Underlying cash operating income	60	23		137	46	
Underlying cash operating income excluding UK	*58*	*21*		*135*	*42*	
Underlying cash operating income margin	5.9%	2.3%		6.7%	2.3%	
Profit for the period	44	3		98	(407)	
Profit for the period (excluding TNT Express)	42	5		96	37	
Net cash from/(used in) operating and investing activities	(5)	(36)		18	(135)	

Note: underlying figures exclude one-offs in Q2 2014 (€(1) million for restructuring related charges and €4 million for rebranding/project costs) and in Q2 2013 (€36 million). Comparative 2013 figures have been restated to reflect the effect of the adoption of IFRS11/IAS28R.

CEO statement

Herna Verhagen, CEO of PostNL: "We have further solidified the foundation of our company. We continued to have good traction with the restructuring in Mail in the Netherlands. In Q2 we migrated 22 depots with which we are now ahead of our initial target. The smooth execution of our restructuring plans resulted in cost savings coming in early. In addition, we see that the cost conscious mindset throughout the company is resulting in increased cost control. This is all achieved while maintaining high delivery quality and increased customer satisfaction.

In the second quarter the strong performance of Mail in the Netherlands was further supported by price increases, mix effects and some incidentals.

International saw revenue growth, but some challenges remain: in Germany and in the United Kingdom we are awaiting regulatory ruling for fair competition. Parcels performed as expected, based on volume growth on the back of a growing e-commerce market and moderate growth in the business market. We focus on innovation to consolidate our leading position. Extra services that we started were amongst others evening delivery. In the quarter, Parcels saw its subcontractor costs increase and, due to a change in customer mix, the average price slightly decline.

Overall, the first half year was strong and reflects the learning curve we experienced in restructuring the company and the supportive and cooperative mindset of all our employees to adapt to the changing environment. All this fuels my confidence that we will achieve our 2015 targets."

Update Sustainable delivery 2015

Subject		Q2 2014
Operations Mail in NL	Centralisation with high quality	▪ Migration 22 depots and further optimisation migrated depots ongoing ▪ Works council advice on redesign car unit; preparation for implementation started
CLA	Towards sustainable labour costs and lower risk pensions	▪ New balanced CLA PostNL, moderate increase in labour costs combined with improved employability
Cost savings	To compensate for volume decline	▪ €29 million

Review of operations Q2

Reconciliation Q2 2014 in € millions	Reported Q2 2014	One-offs	Foreign exchange	Underlying Q2 2014	Underlying Q2 2013	One-offs	Restated Q2 2013
Mail in NL	479			479	482		482
Parcels	204			204	194		194
International	409		(9)	400	394		394
PostNL Other	58			58	64		64
Intercompany	(134)			(134)	(143)		(143)
Revenue	1,016		(9)	1,007	991		991
Mail in NL	74	(5)		69	34	25	9
Parcels	22			22	21		21
International	(3)	4		1	5		5
PostNL Other	(8)	4		(4)	11	11	0
Operating income	85	3	0	88	71	36	35
Changes in pension liabilities*				(17)	(29)		
Changes in provisions*				(11)	(19)		
Underlying cash operating income				60	23		
As percentage of underlying revenue				*5.9%*	*2.3%*		

* Excluding one-offs

PostNL's reported revenue in Q2 was €1,016 million, 3% higher than the prior year. Adjusted for the currency effect, revenue was up 2%. Underlying operating income increased by 24% to €88 million (Q2 2013: €71 million). The increase is explained by a positive volume/price/mix effect in Mail in the Netherlands (€6 million), cost savings of €20 million (excluding pensions), incidentals in Mail in the Netherlands (€9 million) and an increase of the result in Parcels (€1 million), partly offset by autonomous cost increases (€(9) million), International (€(4) million) and other (€(6) million). Underlying cash operating income increased to €60 million (Q2 2013: €23 million) explained by an increase in underlying operating income of €17 million, lower changes in pension liabilities (€12 million) and provisions (€8 million).

Net cash used in operating and investing activities was €5 million (net cash used in Q2 2013: €36 million). The improvement is mainly explained by higher underlying cash operating income and tight capex management. At the end of Q2 2014, net debt was €788 million, compared with €785 million at the end of Q1 2014.

Pensions

By the end of Q2 2014, the coverage ratio of the main pension fund was 113.4% compared to 112.4% at the end of the prior quarter.

The pension expense in Q2 2014 amounted to €29 million (Q2 2013: €33 million). The cash contributions were €46 million (Q2 2013: €62 million).

Consolidated equity

Total equity attributable to equity holders of the parent increased to €(618) million on 28 June 2014 from €(625) million on 29 March 2014. The increase is the net result of the profit for the period (€44 million), an actuarial gain of €14 million relating to pensions, the decrease of the book value of the stake in TNT Express (€(49) million) and other (€(2) million).

Financial and equity position 2014 - 2016

PostNL is well financed and has access to sufficient financial resources to meet its funding needs. In the period 2014 - 2016 we will gradually improve our equity position.

Consolidated equity of PostNL has become negative as a result of IAS 19R followed by a further negative effect from the cancelled deal between UPS and TNT Express in January 2013. The present negative consolidated equity does not impact the company's operations, the timing of debt reductions, access to the available credit facility or the stock exchange listing.

Both Moody's and Standard & Poor's have replaced their negative outlook by a stable outlook. Our current credit ratings are Baa3 (Moody's) and BBB- (Standard & Poor's).

PostNL's financial and equity position will continue to be vulnerable to changes in interest rates which will impact the pension position. An environment of higher interest rates will have a positive effect on the financial and equity position.

Interim dividend 2014

PostNL declares no interim dividend for 2014. The distributable part of the corporate equity of PostNL N.V. was €(368) million on 28 June 2014. Negative distributable corporate equity restricts the pay out of dividend.

Summary outlook 2014

In July, PostNL increased the 2014 outlook for underlying cash operating income to €260 million - €290 million (previously: at the high end of the guided range of between €180 million and €220 million). There are four main drivers for the outlook adjustment. We see savings coming in early as a result of the smooth execution of the restructuring plans and at the same time restructuring cash out is lower (mainly phasing into next year). The cost conscious mindset, which is a spin-off from the consistent execution of the cost saving plan, is resulting in tighter cost control beyond the core plans. Incidentals in the first half of the year, from amongst others cross-border mail and the benign weather conditions in the winter, had a positive impact. In addition we see the average mail price increase in the Netherlands due to a change in revenue mix.

Outlook	Revenue		Underlying cash operating income / margin		
in € millions	*Restated 2013*	2014	*Restated 2013*	2014	Updated 2014
Mail in NL	*2,060*	- low single digit	*3.8%*	6 to 8 %	9 to 11%
Parcels	*803*	+ mid single digit	*11.1%*	11 to 13%	11 to 13%
International	*885*	+ mid single digit	*1.6%*	1 to 3%	1 to 3%
Total	***3,435***	+ low single digit	***137***	**180 - 220**	**260 - 290**

Based on the smooth execution of the restructuring plans, tight cash management and phasing effects in the cash outflow from provisions relating to cost savings, PostNL updated the outlook for the following indicators.

Other updated indicators in € millions	*Restated 2013*	2014	Updated 2014
Cost savings	*95*	95 - 115	115 - 135
Related cash out from provisions	*94*	50 - 70	40 - 60
Capex	*109*	Around 140	Around 120

Note: actuals 2013 have been restated to reflect the adoption of IFRS11/IAS28R and excludes the contribution from our UK operations as we assume a successful closure of the joint venture agreement with LDC after which UK results will be reported in Investments in joint ventures.

Segmental overview

Key figures per segment

in € million	Revenue Q2 2014	Revenue Q2 2013	Revenue % Change	Underlying operating income Q2 2014	Underlying operating income Q2 2013	Underlying operating income % Change	Underlying cash operating income Q2 2014	Underlying cash operating income Q2 2013	Underlying cash operating income % Change
Mail in NL	479	482	-1%	69	34	101%	48	3	
Parcels	204	194	5%	22	21	3%	21	20	6%
International	409	394	4%	1	5	-89%	2	4	-59%
PostNL Other	58	64	-11%	(4)	11	-124%	(11)	(4)	-169%
Intercompany	(134)	(143)	6%						
PostNL	1,016	991	3%	88	71	24%	60	23	157%

Note: underlying figures exclude one-offs

in € million	Revenue HY 2014	Revenue HY 2013	Revenue % Change	Underlying operating income HY 2014	Underlying operating income HY 2013	Underlying operating income % Change	Underlying cash operating income HY 2014	Underlying cash operating income HY 2013	Underlying cash operating income % Change
Mail in NL	976	995	-2%	153	76	102%	110	4	
Parcels	405	392	3%	48	48	0%	46	44	6%
International	818	797	3%	3	10	-72%	4	10	-64%
PostNL Other	116	132	-13%	(13)	18	-168%	(23)	(12)	-99%
Intercompany	(266)	(289)	8%						
PostNL	2,049	2,027	1%	191	152	25%	137	46	196%

Note: underlying figures exclude one-offs

Mail in the Netherlands' addressed mail volumes declined by 11.2% in the quarter, for the most part as a result of substitution. The underlying decline was 12.1%. Revenue declined by 1% to €479 million, driven by a positive price/mix effect, mainly explained by the stamp price increases effective 1 August 2013 and 1 January 2014 and a more favourable product mix.

The stable revenue development together with strong cost savings and a beneficial effect from incidentals are the main drivers of the improved underlying operating income. Lower pension and restructuring cash out resulted in an underlying cash operating income of €48 million (Q2 2013: €3 million).

The quality level was maintained at a high level of 97.1% in Q2, which is well above the statutory minimum required level of 95%.

Parcels volume in the quarter increased by 8.2% in Q2, mainly as a result of the continued strong growth in e-commerce which was partly negated by the decline in registered mail and a more modest growth in 2B parcels. Revenue increased by 5% to €204 million. In the quarter we saw the customer mix continue to skew towards bigger customers which resulted in a limited decline of the average price per parcel. The increase in underlying cash operating income to €21 million (Q2 2013: €20 million) was mainly driven by the increase of volumes and better operational efficiency, partly offset by higher subcontractor costs and the price/mix effect.

The New Logistics Infrastructure (NLI) programme is on track for completion in 2015. Parcels opened two new depots. At the end of the quarter, 16 depots were operational as part of NLI. More than 80% of volumes run through the NLI network, which delivers cost savings in line with expectations. In Q2 2014, capital expenditure for NLI was €11 million.

International revenue increased by 4% to €409 million. All countries contributed to the growth except Germany. Adjusted for the currency effect, revenue was up 2%. Underlying cash operating income was €2 million (Q2 2013: €4 million). The decline is mainly explained by the roll out of E2E services in the United Kingdom and lower revenue in Germany.

Revenue in the **United Kingdom** was €195 million (Q2 2013: €181 million). Adjusted for the currency effect, revenue was up 3%. Volume growth and an improvement in the product mix were the main drivers for the revenue growth.

We expect that Ofcom will publish first views on our complaint about the Royal Mail prices in Q3 2014.

In **Germany**, revenue decreased by 8% to €113 million (Q2 2013: €123 million). The revenue decline is fully attributable to the consolidation business and is explained by the impact from the competitive situation. In other parts of the business, revenue increased due to volume growth from both existing and new clients.

In **Italy**, revenue increased by 7% to €59 million (Q2 2013: €55 million). Formula Certa's volumes continued to grow.

PostNL Other represents head office entities, including the difference between the recorded IFRS employer pension expense for the pension plans and the actual cash payments received from all segments. Revenue decreased to €58 million (Q2 2013: €64 million), mainly because of lower services charged to the segments. Underlying cash operating income was €(11) million compared to €(4) million in the same quarter last year. The difference is mainly explained by higher IT implementation and other project costs.

Review of operations HY

Reconciliation HY 2014	Reported		Foreign	Underlying	Underlying		Restated
in € millions	HY 2014	One-offs	exchange	HY 2014	HY 2013	One-offs	HY 2013
Mail in NL	976			976	995		995
Parcels	405			405	392		392
International	818		(15)	803	797		797
PostNL Other	116			116	132		132
Intercompany	(266)			(266)	(289)		(289)
Revenue	2,049		(15)	2,034	2,027		2,027
Mail in NL	158	(5)		153	76	81	(5)
Parcels	48			48	48	3	45
International	(3)	6		3	10		10
PostNL Other	(19)	6		(13)	18	(40)	58
Operating income	184	7	0	191	152	44	108
Changes in pension liabilities*				(30)	(61)		
Changes in provisions*				(24)	(45)		
Underlying cash operating income				137	46		
As percentage of underlying revenue				*6.7%*	*2.3%*		

* Excluding one-offs

In the first half year, PostNL's reported revenue was €2,049 million, 1% higher than in the prior year. Adjusted for currency effect, revenue was in line with last year. Underlying operating income increased by 25% to €191 million. Underlying cash operating income increased by €91 million to €137 million, which represents an underlying cash operating margin of 6.7% (HY 2013: 2.3%).

Reporting responsibilities and risks

Related party transactions

Major related party transactions are disclosed in note 11 to the consolidated interim financial statements.

Board of Management compliance statement

In conjunction with the EU Transparency Directive as incorporated in the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht) the Board of Management confirms to the best of its knowledge that:

- The consolidated interim financial statements for the six months ended 28 June 2014 give a true and fair view of the assets, liabilities, financial position and profit or loss of PostNL N.V. and its consolidated companies, and

- The interim report of the Board of Management gives a fair view of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht).

Herna Verhagen – Chief Executive Officer

Jan Bos – Chief Financial Officer

The Hague, 4 August 2014

Risks

Understanding strategic, operational, legal and regulatory and financial risks is a vital element of PostNL management's decision-making process. PostNL's risk management and control programme is to be considered as a process to further support management. No matter how comprehensive a risk management and control system may be, it cannot be assumed to be exhaustive, nor can it provide certainty that it will prevent negative developments from occurring in our business and business environment or that our risk responses will be fully effective.

It is important to note that new, unknown and/or unforeseen risks may be identified and/or occur. PostNL will react to changes in our risk profile and/or risk responses with due care and we will continuously analyse possible alternatives that may be included in our risk management and control framework.

Notwithstanding the above, any of the following risks both individually and/or in aggregate, could have a material adverse effect on PostNL's financial position, results of operations, liquidity, solvency and the actual outcome of matters referred to in the forward-looking statements contained in this half year report.

The Board of Management has reviewed PostNL's risk profile and confirms that the key risks originally disclosed in Chapter 11 of the 2013 PostNL N.V. Annual Report (pages 44 – 46) have been updated without any significant changes and will continue to require focused and decisive management attention in the second half of 2014. As disclosed in the Annual Report 2013, specific attention will be given to USO regulation, substitution, status of subcontractors, the legal and regulatory requirements, and the remaining stake in TNT Express.

Consolidated interim financial statements

Consolidated statement of financial position in € millions	note	28 June 2014	Restated 31 December 2013	Restated 1 January 2013
ASSETS				
Non-current assets				
Intangible assets				
Goodwill		84	84	100
Other intangible assets		43	46	56
Total	(1)	127	130	156
Property, plant and equipment				
Land and buildings		333	345	303
Plant and equipment		123	127	139
Other		30	35	39
Construction in progress		43	29	51
Total	(2)	529	536	532
Financial fixed assets				
Investments in joint ventures/associates		36	36	1,403
Other financial fixed assets		8	9	7
Deferred tax assets		44	51	70
Available-for-sale financial assets	(3)	523	542	0
Total		611	638	1,480
Total non-current assets		1,267	1,304	2,168
Current assets				
Inventory		6	5	6
Trade accounts receivable		327	361	419
Accounts receivable		32	29	57
Income tax receivable		2	1	2
Prepayments and accrued income		132	104	116
Cash and cash equivalents	(6)	487	451	370
Total current assets		986	951	970
Assets classified as held for sale		197	194	62
Total assets		2,450	2,449	3,200
LIABILITIES AND EQUITY				
Equity				
Equity attributable to the equity holders of the parent	(5)	(618)	(696)	(318)
Non-controlling interests		6	6	8
Total		(612)	(690)	(310)
Non-current liabilities				
Deferred tax liabilities		37	37	41
Provisions for pension liabilities	(4)	521	542	532
Other provisions	(7)	104	128	117
Long-term debt	(6)	924	1,260	1,611
Accrued liabilities		1	1	2
Total		1,587	1,968	2,303
Current liabilities				
Trade accounts payable		155	153	222
Other provisions	(7)	72	69	83
Other current liabilities		546	209	253
Income tax payable		71	54	26
Accrued current liabilities		496	552	612
Total		1,340	1,037	1,196
Liabilities related to assets classified as held for sale		135	134	11
Total equity and liabilities		2,450	2,449	3,200

Consolidated income statement in € millions		Q2 2014	Restated Q2 2013	HY 2014	Restated HY 2013
Net sales		1,014	988	2,044	2,021
Other operating revenue		2	3	5	6
Total operating revenue		1,016	991	2,049	2,027
Other income		2	3	3	5
Cost of materials		(21)	(20)	(44)	(46)
Work contracted out and other external expenses		(516)	(505)	(1,038)	(1,031)
Salaries, pensions and social security contributions		(322)	(364)	(647)	(708)
Depreciation, amortisation and impairments		(24)	(28)	(47)	(55)
Other operating expenses		(50)	(42)	(92)	(84)
Total operating expenses		(933)	(959)	(1,868)	(1,924)
Operating income		85	35	184	108
Interest and similar income		4		5	1
Interest and similar expenses		(28)	(28)	(53)	(60)
Net financial expenses		(24)	(28)	(48)	(59)
Results from investments in jv's/associates		(1)	(1)		39
Reversal of/(impairment) of investments in associates					(481)
Profit/(loss) before income taxes		60	6	136	(393)
Income taxes	(8)	(16)	(3)	(38)	(14)
Profit for the period		44	3	98	(407)
Attributable to:					
Non-controlling interests					
Equity holders of the parent		44	3	98	(407)
Earnings per (diluted) ordinary share (in € cents) [1]		10.0	0.7	22.3	(92.5)

1 Based on an average of 440,253,843 outstanding ordinary shares (2013: 439,973,297).

Consolidated statement of comprehensive income in € millions		Q2 2014	Restated Q2 2013	HY 2014	Restated HY 2013
Profit for the period		44	3	98	(407)
Other comprehensive income that will not be reclassified to the income statement					
Impact pensions, net of tax	(4)	14	(194)	1	(175)
Share other comprehensive income jv's/associates			(4)		(6)
Other comprehensive income that may be reclassified to the income statement					
Currency translation adjustment, net of tax		1	(1)	1	(2)
Gains/(losses) on cashflow hedges, net of tax		(4)	(8)	(5)	(4)
Share other comprehensive income jv's/associates			(13)		(11)
Change in value of available-for-sale financial assets	(3)	(49)		(19)	
Total other comprehensive income for the period		(38)	(220)	(22)	(198)
Total comprehensive income for the period		6	(217)	76	(605)
Attributable to:					
Non-controlling interests					
Equity holders of the parent		6	(217)	76	(605)

In 2014, the dividend received from TNT Express is reported in the line interest and similar income. In 2013, the profit for the period related to the stake in TNT Express is reported in the lines results from investments in jv's/associates and impairment of investments in associates. In Q2 2014, profit for the period excluding the results from the stake in TNT Express was €42 million (Q2 2013 restated: €5 million). In HY 2014, profit for the period excluding the results from the stake in TNT Express was €96 million (HY 2013 restated: €37 million).

Consolidated statement of cash flows in € millions	note	Q2 2014	Restated Q2 2013	HY 2014	Restated HY 2013
Profit/(loss) before income taxes		60	6	136	(393)
Adjustments for:					
Depreciation, amortisation and impairments		24	28	47	55
Share-based payments		1		2	
(Profit)/loss on assets held for sale		(2)	(2)	(3)	(4)
Interest and similar income		(4)		(5)	(1)
Interest and similar expenses		28	28	53	60
(Reversal of) impairments and results of investments in jv's/associates		1	1		442
Investment income		23	27	45	497
Pension liabilities		(17)	(29)	(30)	(124)
Other provisions		(13)	10	(21)	1
Changes in provisions		(30)	(19)	(51)	(123)
Inventory		(1)		(1)	
Trade accounts receivable		4	11	13	5
Other accounts receivable		3	2	9	20
Other current assets		(3)	18	(33)	(18)
Trade accounts payable		6	(23)	1	(24)
Other current liabilities excluding short-term financing and taxes		(54)	(48)	(81)	(84)
Changes in working capital		(45)	(40)	(92)	(101)
Cash generated from operations		33	2	87	(65)
Interest paid		(14)	(16)	(15)	(17)
Income taxes received/(paid)	(8)	(6)	(3)	(14)	(10)
Net cash (used in)/from operating activities	(9)	13	(17)	58	(92)
Interest received			1	1	1
Dividends received		2	5	2	5
Capital expenditure on intangible assets		(7)	(4)	(12)	(8)
Capital expenditure on property, plant and equipment		(18)	(26)	(37)	(50)
Proceeds from sale of property, plant and equipment		5	5	6	9
Net cash (used in)/from investing activities	(9)	(18)	(19)	(40)	(43)
Changes related to non-controlling interests			(3)		(3)
Proceeds from short term borrowings		(1)	5	1	5
Repayments of short term borrowings			1	(10)	(1)
Repayments of finance leases		(1)	(1)	(1)	(1)
Net cash (used in)/from financing activities	(9)	(2)	2	(10)	0
Total change in cash		**(7)**	(34)	**8**	(135)
Cash at the beginning of the period		482	268	451	370
Cash included in assets held for sale		12		28	
Exchange rate differences					(1)
Total change in cash		(7)	(34)	8	(135)
Cash at the end of the period		487	234	487	234

Consolidated statement of changes in equity in € millions	Issued share capital	Additional paid in capital	Currency translation reserve	Hedge reserve	Available-for-sale financial assets	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at 31 December 2012	35	147	9	(13)		(1,744)	1,265	(301)	9	(292)
Effect of restatements							(17)	(17)	(1)	(18)
Balance at 1 January 2013	35	147	9	(13)		(1,744)	1,248	(318)	8	(310)
Total comprehensive income			(2)	(4)		(192)	(407)	(605)		(605)
Appropriation of net income						325	(325)	0		0
Other						(1)		(1)	(2)	(3)
Total direct changes in equity	0	0	0	0	0	324	(325)	(1)	(2)	(3)
Balance at 29 June 2013	35	147	7	(17)		(1,612)	516	(924)	6	(918)
Balance at 31 December 2013	35	147	9	(14)	44	(1,670)	753	(696)	6	(690)
Total comprehensive income			1	(5)	(19)	1	98	76		76
Appropriation of net income						935	(935)	0		0
Share-based compensation		3				(1)		2		2
Total direct changes in equity	0	3	0	0	0	934	(935)	2	0	2
Balance at 28 June 2014	35	150	10	(19)	25	(735)	(84)	(618)	6	(612)

Auditor's involvement

The content of this interim financial report has not been audited or reviewed by an external auditor.

General information and description of our business

The interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting'.

PostNL N.V. ('PostNL' or the 'Company') is a public limited liability company with its registered seat and head office in 's-Gravenhage, the Netherlands.

PostNL provides businesses and consumers in the Benelux, Germany, the UK and Italy with an extensive range of services for their mail needs. PostNL's services involve collecting, sorting, transporting and delivering of letters and parcels for the Company's customers within specific timeframes. The Company also provides services in the areas of data and document management, direct marketing and fulfilment.

Following the demerger in 2011 and the sale of 15% of the shares of TNT Express in 2013, PostNL holds 80.4 million shares TNT Express N.V. ('TNT Express'). Both PostNL N.V. and TNT Express N.V. are listed on NYSE Euronext in Amsterdam.

Basis of preparation

The information is reported on a year-to-date basis ending 28 June 2014. Where material to an understanding of the period starting 1 January 2014 and ending 28 June 2014, further information is disclosed. The interim financial statements were discussed and approved by the Board of Management. The interim financial statements should be read in conjunction with the consolidated 2013 Annual Report of PostNL N.V. as published on 24 February 2014.

Apart from the changes in accounting for joint ventures (IFRS 11/IAS 28R), all other significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in PostNL's consolidated 2013 Annual Report for the year ended 31 December 2013.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies, which are compliant with IFRS as endorsed by the European Union. The pricing of inter-company transactions is done at arm's length.

Per 1 January 2014 IFRS 11 'Joint Arrangements' and the revisions in IAS 28 'Associates and joint ventures' have been adopted. PostNL recognised the investment in the joint ventures at the beginning of the earliest period presented (1 January 2013) as the net amount of the carrying value of the assets and liabilities previously proportionately consolidated by the group. This is the deemed cost of the group's investment in the joint ventures for applying equity accounting. PostNL's most significant joint venture as at 31 December 2013 was the 50% interest in Postkantoren B.V. / Bruna B.V. (Mail in the Netherlands). In addition, PostNL holds a 50% interest in HIM Holtzbrinck joint ventures (International). The comparative figures of 2013 have been restated for this change. There is no impact on shareholders' equity, comprehensive income, net result and earnings per share.

Classification of stake in TNT Express

In December 2013, PostNL sold part of its stake in TNT Express. In accordance with IAS 39, the remaining 14.7% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income. Until the start of Q4 2013, the stake in TNT Express was classified as an investment in associates accounted for using the equity method.

Classification of TNT Post UK

In December 2013, PostNL reached an agreement with LDC to establish a joint venture, which will allow TNT Post UK to roll out its E2E service. At completion, PostNL will have a 40% stake in the joint venture and control will be lost. This resulted in the transfer of the assets and liabilities of TNT Post UK to held for sale at the end of 2013.

Summary of restatements

The following tables summarise the effect of the adoption of IFRS 11 and IAS28R on the consolidated balance sheet per 1 January 2013 and 31 December 2013 and the consolidated (comprehensive) income statement for the half year 2013 and the full year 2013. The equity restatement also includes an adjustment of €17 million to current liabilities (2013: liabilities related to assets classified as held for sale) in the UK, mainly related to 2010.

Consolidated statement of financial position in € millions	Reported 31 Dec 2012	Restatements	Restated 1 Jan 2013	Reported 31 Dec 2013	Restatements	Restated 31 Dec 2013
ASSETS						
Total intangibles	168	(12)	156	143	(13)	130
Total property, plant and equipment	536	(4)	532	539	(3)	536
Investments in associates/jv's	1,373	30	1,403	6	30	36
Other financial fixed assets	74	3	77	603	(1)	602
Total financial fixed assets	1,447	33	1,480	609	29	638
Total non-current assets	2,151	17	2,168	1,291	13	1,304
Total current assets	1,002	(32)	970	979	(28)	951
Assets classified as held for sale	63	(1)	62	194		194
TOTAL ASSETS	**3,216**	**(16)**	**3,200**	**2,464**	**(15)**	**2,449**
EQUITY AND LIABILITIES						
Equity for shareholders of the parent	(301)	(17)	(318)	(679)	(17)	(696)
Non-controlling interests	9	(1)	8	7	(1)	6
Total equity	(292)	(18)	(310)	(672)	(18)	(690)
Total non-current liabilities	2,310	(7)	2,303	1,973	(5)	1,968
Total current liabilities	1,187	9	1,196	1,046	(9)	1,037
Liabilities related to assets classified as held for sale	11		11	117	17	134
TOTAL EQUITY AND LIABILITIES	**3,216**	**(16)**	**3,200**	**2,464**	**(15)**	**2,449**

Consolidated income statement in € millions	Reported HY 2013	Restatements	Restated HY 2013	Reported FY 2013	Restatements	Restated FY 2013
Net sales	2,090	(69)	2,021	4,296	(144)	4,152
Other operating revenue	6		6	11		11
Total operating revenue	2,096	(69)	2,027	4,307	(144)	4,163
Other income	5		5	7		7
Cost of materials	(85)	39	(46)	(167)	79	(88)
Work contracted out and other external expenses	(1,041)	10	(1,031)	(2,142)	23	(2,119)
Salaries, pensions and social security contributions	(720)	12	(708)	(1,288)	28	(1,260)
Depreciation, amortisation and impairments	(56)	1	(55)	(132)	3	(129)
Other operating expenses	(89)	5	(84)	(181)	7	(174)
Total operating expenses	(1,991)	67	(1,924)	(3,910)	140	(3,770)
Operating income	**110**	**(2)**	**108**	**404**	**(4)**	**400**
Interest and similar income	1		1	10	(1)	9
Interest and similar expenses	(60)		(60)	(184)	1	(183)
Net financial expense	(59)		(59)	(174)		(174)
Results from investments in associates/jv's	38	1	39	36	2	38
Reversal of/(impairment of) investments in associates/jv's	(481)		(481)	(369)		(369)
Profit/(loss) before income taxes	**(392)**	**(1)**	**(393)**	**(103)**	**(2)**	**(105)**
Income taxes	(15)	1	(14)	(67)	2	(65)
Profit for the year	**(407)**		**(407)**	**(170)**		**(170)**
Earnings per ordinary share (in € cents)	(92.5)		(92.5)	(38.6)		(38.6)
Earnings per diluted ordinary share (in € cents)	(92.5)		(92.5)	(38.6)		(38.6)
Other comprehensive income that will not be reclassified to the income statement						
Impact pensions, net of tax	(177)	2	(175)	(230)	3	(227)
Share other comprehensive income associates	(4)	(2)	(6)	(5)	(3)	(8)
Other comprehensive income that may be reclassified to the income statement	(17)		(17)	24		24
Total other comprehensive income for the period	(198)		(198)	(211)		(211)
Total comprehensive income for the period	**(605)**		**(605)**	**(381)**		**(381)**

Segment information

PostNL operates its businesses through the reportable segments Mail in the Netherlands, Parcels, International and PostNL Other.

The following table presents the segment information relating to the income statement and total assets of the reportable segments for the first six months of 2014 and 2013.

in € millions HY 2014 ended at 28 June 2014	Mail in NL	Parcels	International	PostNL Other	Inter-company	Total
Net sales	910	322	800	12		2,044
Inter-company sales	65	80	18	103	(266)	
Other operating revenue	1	3		1		5
Total operating revenue	976	405	818	116	(266)	2,049
Other income	3					3
Depreciation/impairment property, plant and equipment /assets held for sale	(15)	(6)	(3)	(10)		(34)
Amortisation/impairment intangibles	(7)	(3)	(1)	(2)		(13)
Total operating income	158	48	(3)	(19)		184
Total assets	614	312	515	1,009		2,450
HY 2013 ended at 29 June 2013						
Net sales	932	299	779	11		2,021
Inter-company sales	61	89	18	121	(289)	
Other operating revenue	2	4				6
Total operating revenue	995	392	797	132	(289)	2,027
Other income	5					5
Depreciation/impairment property, plant and equipment	(19)	(5)	(5)	(12)		(41)
Amortisation/impairment intangibles	(7)	(2)	(2)	(3)		(14)
Total operating income	(5)	45	10	58		108
Total assets at 31 December 2013	619	263	451	1,116		2,449

The comparative figures over 2013 have been restated for the adoption of IFRS 11 and IAS 28R.

As at 28 June 2014 the total assets within PostNL Other mainly included the stake in TNT Express for an amount of €523 million (31 December 2013: €542 million) and cash. Total operating income of PostNL Other does not include the results from investments in joint ventures/associates as these are presented below operating income.

Notes to the consolidated interim financial statements

1. Intangible assets

in € millions	HY 2014	Restated HY 2013
Balance at 1 January	130	156
Additions	11	8
Amortisation and impairments	(13)	(14)
Transfers from assets held for sale		2
Exchange rate differences/other	(1)	
Balance at end of period	127	152

At HY 2014, the intangible assets of €127 million consist of goodwill for an amount of €84 million and other intangible assets for an amount of €43 million. Goodwill resulted from acquisitions in the past in the segments Mail in the Netherlands (€52 million), Parcels (€5 million), International (€25 million) and PostNL Other (€2 million).

Additions to the intangible assets of €11 million concern additions to software including prepayments for software.

2. Property, plant and equipment

in € millions	HY 2014	Restated HY 2013
Balance at 1 January	536	532
Capital expenditures	30	50
Disposals	(3)	(1)
Depreciation and impairments	(34)	(41)
Transfers from assets held for sale		2
Exchange rate differences		(1)
Balance at end of period	529	541

Capital expenditures of €30 million relate for €17 million to the NLI of Parcels. The remainder relates to various other investments.

3. Available-for-sale financial assets

In December 2013, PostNL sold part of its stake in TNT Express. In accordance with IAS 39, the remaining 14.7% stake in TNT Express is considered an available-for-sale financial asset measured at fair value with gains and losses arising from changes in the fair value recognised in other comprehensive income.

The fair value per 28 June 2014 amounts to €523 million (31 December 2013: €542 million) and has been determined by multiplying the closing share price at 27 June 2014 of €6.51 by the total number of issued ordinary shares held by PostNL of 80,386,421. The loss of €19 million has been recorded in other comprehensive income.

4. Pensions

The pension assets and pension liabilities of the various defined benefit pension schemes are presented separately on the balance sheet. In HY 2014, the provision for pension liabilities decreased by €21 million.

in € millions	HY 2014	Restated HY 2013
Balance at 1 January	542	532
Operating expenses	56	64
Interest expenses	10	9
Employer contributions and early retirement payments	(86)	(188)
Actuarial losses/(gains)	(1)	236
Balance at end of period	521	653

Under IAS 19R, the pension provision is updated quarterly for changes in discount rate, long term expected benefit increases and actual plan assets return. Compared to year-end 2013, the IAS 19 discount rate decreased to 3.2% (31 December 2013: 3.5%) and the long term expected benefit increases remained unchanged (1.4%), which caused an increase of total plan liabilities. Total plan assets return was higher than assumed, which positively influenced the net pension position. The total effect in HY 2014 on the net pension position was a gain of €1 million (HY 2013: losses of €236 million). Within equity, the net pension impact in HY 2014 amounted to €1 million (HY 2013: €(175) million).

In Q2 2014, management further improved the discount rate setting methodology by excluding bonds of government agencies. In addition we changed the basis of extrapolation of the longest term bond from a single bond to an average of bonds. The resulting discount rate is around 0.3% higher than based on the previous methodology. The positive impact on the defined benefit obligation as at 28 June 2014 is estimated at around €365 million. The positive impact on the provision for defined benefit plans and on equity, however, is limited by the 'pension asset ceiling' and 'minimum funding requirement' regulations, and amounted to around €95 million and €70 million respectively.

During the first half year of 2014, the coverage ratio of PostNL's main pension fund increased to 113.4% from 111.9% as per 31 December 2013, including the outstanding payment of the unconditional contribution of €152 million (including interest) by PostNL. Per HY 2014, no top-up invoices are outstanding.

The employer contributions in HY 2013 included the payment of unconditional top-up invoices for €63 million.

The expenses for defined contribution plans in HY 2014 were €5 million (HY 2013: €1 million).

5. Equity

During HY 2014, consolidated equity attributable to the equity holders of the parent improved from €(696) per 31 December 2013 to €(618) million on 28 June 2014. The increase of €78 million in HY 2014 is mainly explained by the profit for the first half year of €98 million partly offset by the value adjustment of the stake in TNT Express for an amount of €(19) million.

Corporate equity

During HY 2014, corporate equity decreased from €1,925 million per 31 December 2013 to €1,879 million on 28 June 2014. Distributable corporate equity amounted to €(368) million on 28 June 2014 (31 December 2013: €(341) million).

We refer to the 2013 Annual Report of PostNL N.V. as published on 24 February 2014 for detailed information on the main differences between consolidated and corporate equity.

	HY 2014	FY 2013	HY 2013
Number of issued and outstanding shares	440.9	440.0	440.0
of which held by the company	0.0	0.0	0.0
Year-to-date average number of ordinary shares	440.3	440.0	440.0
Year-to-date diluted number of ordinary shares		0.9	
Year-to-date average number of ordinary shares on a fully diluted basis	440.3	440.9	440.0

6. Net debt

in € millions	28 Jun 2014	Restated 31 Dec 2013
Short term debt	358	21
Long term debt	924	1,260
Total interest bearing debt	1,282	1,281
Long term interest bearing assets	(7)	(7)
Cash and cash equivalents	(487)	(451)
Net debt	788	823

The net debt position as at 28 June 2014 decreased by €35 million compared to 31 December 2013 mainly due to net cash generated from operations of €58 million and net cash used in investing activities of €(40) million. An amount of €28 million cash outflow related to TNT Post UK which is included in assets held for sale.

7. Provisions

The provisions consist of long term and short term provisions for restructuring, claims and indemnities and other employee benefits. In HY 2014, the balance of the long term and short term provisions decreased by €21 million, from €197 million to €176 million.

in € millions	HY 2014	Restated HY 2013
Balance at 1 January	197	200
Additions	24	45
Withdrawals	(26)	(41)
Releases	(19)	(4)
Interest/other		1
Balance at end of period	176	201

The additions of €24 million in HY 2014 mainly relate to the Master Plan restructuring programmes for the restructuring of staff and management within operations (€11 million) and head office departments (€5 million).

The withdrawals of €26 million in HY 2014 related mainly to settlement agreements following the execution of the Master Plan restructuring programmes (€21 million).

The releases of €19 million in HY 2014 mainly related to changes in the Master Plan restructuring programmes within operations (€16 million).

8. Taxes

Effective Tax Rate	HY 2014	Restated HY 2013
Dutch statutory tax rate	25.0%	25.0%
Other statutory tax rates	0.6%	1.9%
Average statutory tax rate	25.6%	26.9%
Non/partly deductible costs	0.7%	1.9%
Exempt income		-0.5%
Other	2.1%	-0.8%
Effective tax rate - like-for-like	28.4%	27.5%
Impact stake TNT Express	-0.5%	-31.1%
Effective tax rate - reported	27.9%	-3.6%

The tax expense in PostNL's statement of income in HY 2014 amounted to €38 million (HY 2013: €14 million), or 27.9% (HY 2013: -3.6%) of the profit/(loss) before tax of €136 million (HY 2013: €(393) million).

The profit before tax in HY 2014 excluding the dividend income of TNT Express of €2 million was €134 million (HY 2013: €51 million excluding the impairment and results of the stake in TNT Express), with a corresponding effective tax rate of 28.4% (HY 2013: 27.5%). Results of the stake in TNT Express are non taxable and impacted the effective tax rate of HY 2014 by -0.5% (HY 2013: -31.1%).

In HY 2014, the line Other (2.1%) predominantly relates to irrecoverable losses for which no deferred tax assets have been recognised.

The income taxes paid in HY 2014 amounted to €14 million (HY 2013: €10 million).

9. Cash flow statement

The net cash from operating activities increased by €150 million from €(92) million in HY 2013 to €58 million in HY 2014 mainly caused by an increase in cash generated from operations from €(65)million in HY 2013 to €87 million in HY 2014. The increase in cash generated from operations of €152 million was mainly due to higher operational results, pension top-up payments in HY 2013 (€63 million), lower cash out from pensions (€35 million), lower withdrawals from provisions (€15 million) and lower cash out from working capital (€9 million).

The net cash used in investing activities decreased by €3 million to €40 million in HY 2014 from €43 million in HY 2013. Lower capital expenditures of €9 million were partly offset by lower proceeds from the sale of property, plant and equipment of €(3) million and lower dividend received from TNT Express of €(3) million.

The net cash used in financing activities decreased to €(10) million in HY 2014 from €0 million in HY 2013 mainly related to the repayment of a German private placement of €6 million in HY 2014.

10. Labour force

Headcount	28 Jun 2014	31 Dec 2013
Mail in NL	42,659	46,676
Parcels	3,171	3,146
International	8,893	7,690
PostNL Other	1,649	1,768
Total	56,372	59,280

The number of employees working at PostNL at 28 June 2014 was 56,372, which is a decrease of 2,908 employees compared to 31 December 2013. This decrease is mainly the result of extra temporary employees that were hired in December 2013 within Mail in the Netherlands to handle Christmas mail and outflow relating to cost savings initiatives, partly offset by an increase in International.

Average FTE's	HY 2014	HY 2013
Mail in NL	18,211	20,912
Parcels	2,758	2,838
International	6,699	5,477
PostNL Other	1,484	1,792
Total	29,152	31,019

The average number of full time equivalents (FTE) working at PostNL during the first six months of 2014 was 29,152, which is a decrease of 1,867 FTE compared to the same period last year. Reductions within operations in Mail in the Netherlands and within PostNL Other were partly offset by an increase in International.

11. Related party transactions and balances

As at 28 June 2014, the year to date purchases of PostNL from joint ventures and associated companies amounted to €0 million (HY 2013: €6 million). During 2014 no sales were made by PostNL companies to its joint ventures and associated companies. The net amounts due to the joint ventures and associated companies amounted to €7 million (HY 2013: €5 million).

In HY 2014, the value of the transactions with TNT Express was not material and related to business activities.

As at 28 June 2014, no events have occurred that triggered disclosure of a significant contingent asset or liability under IAS 34 following the agreements with TNT Express.

12. Subsequent events

On 3 July 2014, PostNL announced the final agreement reached with the trade unions on the CLA for PostNL letter post and parcels employees. The CLA enters into force with retroactive effect on 1 April 2013 and ends on 31 December 2014. On 22 May 2014 PostNL already announced it had reached an agreement in principle with the trade unions.

On 7 July 2014, PostNL announced the expectation to report a full year underlying cash operating income of between €260 million and €290 million. PostNL's former outlook for underlying cash operating income in 2014 was at the high end of the guided range of €180 million to €220 million.

Other

Working days

Working days	Q1	Q2	Q3	Q4	Total
2012	65	61	65	64	255
2013	63	61	65	65	254
2014	62	62	65	66	255

Press releases since the first quarter 2014 results

Date	Subject
7 May 2014	PostNL starts evening delivery
21 May 2014	PostNL develops new delivery service for online shopping
22 May 2014	PostNL reaches agreement in principle with trade unions regarding CLA
3 July 2014	PostNL reaches final agreement with trade unions regarding CLA
7 July 2014	PostNL increases outlook for 2014
30 July 2014	PostNL starts trial Sunday parcel delivery with Coolblue
30 July 2014	Hundreds of new PostNL pick-up locations in Belgium to accommodate rapid growth in e-commerce

Financial calendar

3 November 2014	Publication of Q3 2014 results
23 February 2015	Publication of Q4 & FY 2014 results
6 May 2015	Publication of Q1 2015 results

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Audio webcast and conference call Q2 2014 results

On 4 August 2014, at 09.30 CET, PostNL will host a press conference call. The press conference will be webcast live on www.postnl.com.

On 4 August 2014, at 14.00 CET, the presentation for analysts and investors will start. The presentation will be webcast live on www.postnl.com.

Additional information

Additional information is available at www.postnl.com.

Warning about forward-looking statements

Some statements in this press release are 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors that are outside of our control and impossible to predict and may cause actual results to differ materially from any future results expressed or implied. These forward-looking statements are based on current expectations, estimates, forecasts, analyses and projections about the industries in which we operate and management's beliefs and assumptions about possible future events. You are cautioned not to put undue reliance on these forward-looking statements, which only speak as of the date of this press release and are neither predictions nor guarantees of possible future events or circumstances. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.